

EXHIBIT 4



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HEADLINE: MEDICARE WASTE RAISES COST OF DRUGS BY \$1B CONGRESS TO HEAR REPORT ON
OVERPAYMENT EXCESS

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BODY:

Taxpayers and senior citizens are paying as much as \$1 billion a year in inflated drug prices because of loopholes and potential fraud in Medicare, according to reports prepared for a congressional hearing today.

The overpayment, which represented one-fifth of Medicare drug spending last year, is enriching not only drug companies, but pharmacists and doctors as well. Federal investigators fear that the flawed pricing system may result in doctors over prescribing certain drugs in ways that could harm patients.

Members of Congress are concerned about the magnitude of the waste as they debate whether to expand the Medicare drug benefit from about 450 drugs costing \$5 billion a year to all drugs at a cost of about \$30 billion annually.

"In tight budget times, when we're trying to hang on to the [Social Security] lock box, it's crazy to be wasting hundreds of millions of dollars on over reimbursement for these drugs," said Representative James Greenwood, the Pennsylvania Republican who is chairman of the energy and commerce oversight and investigations subcommittee that will conduct today's hearing. "Whether we do it this year or not, we are trying to extend the pharmacy benefit, and it's important that we first tackle this problem."

The Bush administration is also signaling that it supports an overhaul of the reimbursement system as soon as possible.

Abuse of government drug benefits is not limited to Medicare. Separate federal reports on Medicaid, which provides \$18 billion in prescription drug benefits for the poor and disabled, show state and federal taxpayers are splitting the bill for another billion dollars in overpayments.

Authorities in Massachusetts and across the nation are not waiting for Congress to act. Government sources said prosecutors at the US attorney's office in Boston and the Massachusetts attorney general's office are investigating whether at least 20 pharmaceutical companies committed fraud by manipulating the prices of drugs reimbursed through Medicare and Medicaid.

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The drugs companies have denied any wrongdoing.

The Medicaid system in Massachusetts spent \$800 million on drugs last year, and state Medicaid administrators are examining whether to change the reimbursement formula to reduce over payments. Current federal payments for Medicare and some Medicaid programs are based on a "sticker" price that drug companies report for each drug, called the average wholesale price, or AWP. But in the industry, many joke that AWP stands for "Ain't what's paid."

Although most companies sell their products to doctors and pharmacists at a substantial discount, both Medicare and Medicaid reimburse those practitioners at close to the sticker price. Frequently that is three times the actual price, and sometimes as much as six times, according to a new study by the General Accounting Office. For example, drug companies sold a cancer drug called leucovorin calcium to providers for an average of nearly \$3 for a 50 milligram dose last year, but Medicare reimbursed providers more than \$18 per dose, according to the inspector general's office of the Department of Health and Human Services, which has studied the problem extensively.

The GAO plans to report today that Medicare reimbursed doctors at least \$532 million more than they paid for drugs last year, while pharmacies were reimbursed at least \$483 million above their purchase price. That echoes the inspector general's investigation that found that Medicare overpaid \$887 million on just the top 24 drugs last year.

Taxpayers covered 80 percent of that bill, while seniors paid the remainder out of pocket or with private insurance. The Medicare program covers only a limited number of outpatient prescription drugs, mainly for cancer, dialysis, organ transplant, and severe respiratory problems.

"The waste gets bigger every year," said George Grob, deputy inspector general for evaluation and inspections. "The current system is based on make-believe numbers that are too easy to manipulate. It's time for Medicare to get control."

Investigators for the House Energy and Commerce Committee and federal prosecutors allege that some companies inflated their list prices to create a bigger profit for doctors and pharmacists in order to sell more of their drugs.

According to sources, the US attorney's office is wrapping up a price-manipulation case against TAP Pharmaceutical Products of Illinois that is expected to result in an \$840 million fine. Federal prosecutors are investigating other companies as well. Sources also said the Massachusetts attorney general's office has convened a grand jury on drug pricing, which has subpoenaed documents from Barr Laboratories, Eli Lilly, and Schering-Plough.

Committee investigators also suggest that the amount of profits may be affecting doctor's prescribing habits. They point to a study showing excessive use of chemotherapy in terminal cancer patients and wonder if there is a link to the profit doctors can make on oncology drugs.

Facing lobbying from drug companies and doctors, Congress has blocked earlier efforts to overhaul the reimbursement system. The doctors have argued that they need the extra money to cover costs of administering the drugs.

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